



CITY OF APPLETON CITY, MISSOURI

YEAR ENDED SEPTEMBER 30, 1998

**From The Office Of State Auditor
Claire McCaskill**

Report No. 99-18
March 23, 1999

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from Appleton City, Missouri.

NOTE: Recommendations as well as responses from the city which correspond with the findings below are included in the audit.

The city did not have formal written bid policies and procedures. There were significant problems with accounting controls and procedures including failure to perform reconciliations of account balances, billings and collections for the utility system.

Payroll was not correctly calculated for employees contributing to a deferred compensation retirement plan and there needs to be a formal policy for public access to city records.

The Depreciation and Replacement Account for the Waterworks and Sewer Fund is not properly funded. Revenues from the water and sewer system do not appear to cover the costs of operating the system. Timely audits are needed of the water and sewer system.

The city received reimbursements of \$18,995 from a federal grant for community policing, that do not appear to have been allowable.

Historical information regarding the city of Appleton City's governmental structure can be found on pages 4-6.

See Summary of Findings on pages 8-9.

YELLOW SHEET

CITY OF APPLETON CITY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Appleton City
Appleton City, Missouri 64724

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Appleton City, Missouri. Our audit of the city included, but was not limited to, the year ended September 30, 1998. The objectives of this audit were to:

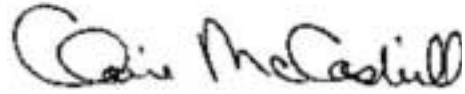
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Appleton City, Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

November 19, 1998

HISTORY AND ORGANIZATION

CITY OF APPLETON CITY, MISSOURI HISTORY AND ORGANIZATION

The city of Appleton City is located in St. Clair County. The city was incorporated in 1870 as a fourth-class city. The population of the city in 1990 was 1,299.

The city government consists of a mayor and four-member board of aldermen. The four board members are elected in staggered elections for two-year terms. The mayor is elected for a two year term, presides over the Board of Aldermen meetings, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other principal officials at September 30, 1998, were:

<u>Elected Officials</u>	<u>Term Expires</u>	<u>Actual Compensation for the Year Ended September 30, 1998</u>
Frank Barker, Mayor (1)	April, 2000	\$ 1,375
Lois Van Buskirk, Alderwoman	April, 1999	350
Rick Bourland, Alderman (2)	April, 2000	0
Nancy Gardner, Alderwoman (3)	April, 2000	0
Paul Noble, Alderman (4)	April, 1999	0

<u>Other Principal Officials</u>	
Sandra Farley, City Clerk (5)	\$ 4,082
Dorothy Todd, Treasurer	11,662
Stacy Minks, Police Chief	22,802
Patricia Roberts, Utility Clerk	12,510
Gerald Fennewald, Public Works Supervisor (6)	17,409

- (1) Replaced Jim Rhea in April 1998.
- (2) Replaced Paul Edmondson in April 1998.
- (3) Replaced Joe Pierce in April 1998.
- (4) Appointed to replace Frank Barker in July 1998 after Frank Barker was elected Mayor in April 1998.
- (5) Hired in July 1998 to replace Rick Cook who resigned in May 1998.
- (6) Replaced Karl Sielman in November 1997.

The city employs approximately 10 full and part-time employees.

Assessed valuation and tax rate information for the tax year 1998 is as follows:

ASSESSED VALUATION

Real Estate	\$ 4,324,669
Personal	<u>1,784,179</u>

Total \$ 6,108,848

TAX RATES PER \$100 ASSESSED VALUATION

General Revenue	\$.61
Library	.21
Police and Fire	.18
Parks and Recreation	<u>.34</u>
Total	<u>1.34</u>

The city had the following sales taxes; rates are per \$1 of retail sales:

	<u>Rate</u>	<u>Expiration Date</u>
General	.00875	None
Streets	.01000	1999

A summary of the financial activity for the city of Appleton for the year ended September 30, 1998, is presented on the next page.

	General Fund	Street Fund	Police Fund	Water and Sewer Funds	Other *	Total
RECEIPTS						
Sales tax	\$ 60,387	69,907	0	0	0	130,294
Property tax	35,856	0	6,878	0	23,693	66,427
Water and sewer	0	0	0	234,429	0	234,429
Intergovernmental	38,981	50,677	0	0	0	89,658
Court fines and costs	0	0	13,315	0	0	13,315
Transfers in	0	0	45,000	0	0	45,000
Other	28,305	1,015	2,042	6,889	46,131	84,382
Total Receipts	163,529	121,599	67,235	241,318	69,824	663,505
DISBURSEMENTS						
Salaries and fringe benefits	46,590	17,521	79,963	39,953	35,188	219,215
Utilities	22,590	357	3,502	1,742	4,566	32,757
Street maintenance and materials	0	97,174	0	0	0	97,174
Bond principal and interest	0	0	0	29,950	0	29,950
Water purchases	0	0	0	143,419	0	143,419
Transfers out	45,000	0	0	0	0	45,000
Other	22,189	13,736	34,838	46,035	22,269	139,067
Total Disbursements	136,369	128,788	118,303	261,099	62,023	706,582
RECEIPTS OVER (UNDER) DISBURSEMENTS	27,162	-7,189	-51,068	-19,781	7,801	-43,075
CASH AND CASH EQUIVALENTS, OCTOBER 1,	10,685	99,700	-37,285	42,990	27,366	143,456
CASH AND CASH EQUIVALENTS, SEPTEMBER 30,	\$ 37,847	92,511	-88,353	23,209	35,167	100,381

*Includes the following funds: Fire, Parks and Pool, and the Rural Economic Assistance Program (REAP).

MANAGEMENT ADVISORY REPORT

CITY OF APPLETON CITY, MISSOURI
SUMMARY OF FINDINGS

1. Expenditures (pages 10-13)

The city does not have formal written bidding policies and procedures. Bids were not solicited or bid documentation retained for purchases totaling over \$57,000, and proposals for some professional services were not solicited. Adequate documentation was not maintained to support some disbursements and the city did not have formal written agreements with some companies and individuals providing services. The city did not prepare IRS 1099-MISC forms for some applicable situations. Appraisals were not obtained for land purchases.

2. Community Oriented Policing Services (COPS) Grant (pages 13-14)

The city received reimbursements of \$18,995 from a federal grant which did not appear allowable.

3. Accounting Controls and Procedures (pages 14-16)

Duties are not adequately segregated for utility and property tax collections. Reconciliations of account balances, billings, collections, and adjustments are not performed. Monthly and annual reports of property taxes are not submitted to the Board of Aldermen as required by state law. Listings of monthly disbursements are not signed or initialed to indicate the board's approval.

4. Waterworks and Sewer System (pages 16-17)

The Depreciation and Replacement Account is not properly funded. Revenues from the water and sewer system do not appear to cover the costs of operating the system. The city has not ensured timely annual audits of its water and sewer system were performed.

5. Payroll and City Policies (pages 17-18)

The city incorrectly calculated payroll for city employees contributing to a deferred compensation retirement plan. The city did not have supporting documentation for compensatory time payments totaling \$5,961. The city does not have a formal policy regarding public access to city records.

6. Budgets and Financial Reporting (pages 18-19)

Budgets do not meet some statutory requirements. The city does not publish financial statements as required by state law. Board minutes are not signed.

7. Traffic Violations (pages 19-20)

Receipt slips are not issued for some monies received by the city for fines and court costs. The city does not obtain receipt slips for monies it transmits to the associate court. Neither the police department nor the court maintains adequate records to account for all traffic tickets issued by the police department.

8. City Property (pages 20-21)

The city has not established a detailed record to account for fixed assets owned by the city. The city's oil distributor was sold without documentation of board approval.

CITY OF APPLETON CITY, MISSOURI
MANAGEMENT ADVISORY REPORT

1.	Expenditures
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- A. The city does not have formal written bidding policies and procedures. As a result, the decision of whether to solicit bids for a particular purchase is made on an item by item basis. Although the city did solicit bids for many significant purchases, we noted the following purchases for which no bid documentation was retained:

Used road grader	\$26,000
Rock	24,340
City Hall repair	4,641
Pool supplies	2,380

Formal bidding procedures for major purchases would provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the city's business. Not only can bids be obtained by telephone quotation, but bids can also be obtained by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on the dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and the reasons for selecting the winning bid.

- B. The city did not solicit requests for proposals for some professional services. Without requesting proposals for professional services, the city has not ensured it has received quality services at a fair price.
- 1) The city hired two law firms to provide various legal services and to serve as the city's prosecuting attorney. The firms were paid approximately \$12,840 during fiscal year 1998.
 - 2) A lobbyist was hired to help the city get selected as the site of a new state prison. The lobbyist was paid \$3,500 for his services. No invoices or contract was available to support these payments. In addition, payments to the lobbyist were not included on disbursement listings or in board minutes which are reviewed and approved by the board.
 - 3) The city hired two engineering firms to provide various services for the city. The firms were paid approximately \$3,160 during fiscal year 1998. Section 8.289, RSMo 1994, requires that agencies or political subdivisions which utilize engineering or land surveying services request annual statements or qualifications and performance data from firms. Section 8.291, RSMo 1994,

further requires that when negotiating for a contract, the agency or political subdivision must list three highly qualified firms and select the firm considered best qualified and capable of performing the desired work.

- C. 1) No supporting documentation, such as receipts or invoices, was available to support payments totaling \$25,319 to the prior public works supervisor and some of his relatives. We discussed this matter with the former public works supervisor and he stated that adequate supporting documentation had been submitted to the city. However, the only documentation available at the city to support the expenditures were notations made by the treasurer in the fund ledger. Supporting documentation was not available for the following payments:

	<u>Amount</u>	<u>Description on ledger</u>	<u>Month</u>
\$	1,500	Contract labor	October 95
	20	Phone	October 95
	112	Mileage	October 95
	400	Air compressor	November 95
	540	Contract labor	November 95
	133	Mileage	November 95
	80	Coveralls	November 95
	522	Reimbursement for Pipe	December 95
	900	Contract labor	December 95
	62	No description	December 95
	1,200	Contract labor	January 96
	1,200	Contract labor	February 96
	120	Mileage and meal reimbursement	March 96
	1,497	Sewer Work	March 96
	879	No description	March 96
	11,635	Sewer work	April 96
	540	Contract labor	April 96
	239	Mileage and meal reimbursement	April 96
	375	Contract labor	June 96
	210	Contract labor	July 96
	45	Contract labor	October 96
	444	Mileage	December 96
	72	Mileage	February 97
	1,118	Work on city hall	February 97
	1,210	Contract labor	March 97
	54	Mileage	March 97
	62	Mileage	May 97
	150	Back hoe repair	May 97

- 2) Supporting documentation was not maintained for several other purchases including the purchase of a road grader (\$26,000), payments to a lobbyist for the prison (\$3,500), and pool supplies (\$2,380).

All disbursements should be supported by paid receipts and/or complete vendor provided invoices to ensure the obligation was actually incurred and the disbursement was an appropriate use of public funds. Invoices for services should include the number of hours worked by day, the work performed, the hourly rate being charged, and a list of any materials used, and the associated costs. Finally, the city should require that mileage reimbursement requests include the date, purpose, location traveled to and from, and total miles traveled.

- D. The city has not entered into written contracts for various contracted services received. For example, the city has not entered into formal written contracts for repairs to city hall, sewer work, legal services or park mowing.

Section 432.070, RSMo 1994, requires contracts of political subdivisions be in writing. The city should enter into written contracts for services rendered or obtained. A written contract, signed by the parties involved, should specify the goods or services to be provided and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties, rights, and responsibilities and to provide protection to all parties.

- E. For calendar year 1997, the city did not prepare IRS 1099-MISC forms for some applicable situations such as lobbying services and construction work on city hall. In addition, form 1099s were not always sent as applicable for some of the payments noted in C. above.

Section 6041 of the Internal Revenue Code requires non-employee compensation paid of at least \$600 in a calendar year to an individual or unincorporated business to be reported to the IRS.

- F. In January 1996, the city purchased the lot next to city hall for \$7,000. Also, in 1995 the city purchased a lot in town for \$17,118. The city purchased this second lot to resell smaller individual lots. The city did not obtain an independent appraisal on the purchase of either property. As a result, there is less assurance the price paid for the property was reasonable or represented the fair value of the property.

WE RECOMMEND the Board of Aldermen:

- A. Establish formal bidding policies with provisions for documentation of the justification for selecting and rejecting bids.
- B&C. Request proposals for professional services engaged by the city and obtain the information required by state law. We also recommend the board ensure adequate

supporting documentation is maintained to support all city disbursements, including documentation that all disbursements have been approved by the board.

- D. Enter into formal written contracts, in accordance with state law, which specify the goods or services to be provided and the amount of compensation. These contracts should adequately detail the rights and duties of all parties to the respective contracts and should be properly updated and/or extended when necessary.
- E. Ensure IRS 1099-MISC forms are prepared and submitted as required.
- F. Obtain an independent appraisal for any property being considered for purchase.

AUDITEE'S RESPONSE

A,D.
&F. *We will implement these recommendations.*

B,C.
&E. *We have implemented these recommendations.*

2. Community Oriented Policing Services (COPS) Grant

The city received federal assistance from the U.S. Department of Justice under the COPS FAST program to increase the number of law enforcement officers. In May 1995, the city received a grant award of \$45,166 for one additional full-time officer which increased the number of city officers to five. Under the grant provisions, the city was required to provide 25 percent of the cost of employing the additional officer until the grant expired on February 28, 1998.

However, since September 1996, the city has only employed and paid three or four officers. According to the grant requirements, the city no longer qualified for federal reimbursement under the COPS Fast Program after September 1996 since the city no longer employed a fifth officer. Based on city payroll records for the period of time the city employed a fifth officer, it appears the city spent \$16,455 for salary and benefits of the officer. The city would have been required to pay 25 percent of this amount, leaving \$12,341 to be reimbursed through the federal grant. However, the city requested and has received a total of \$31,336 in grant monies. As a result, it appears the city owes \$18,995 to the Department of Justice for excess reimbursements.

The Board of Aldermen should contact the applicable federal grantor agency to resolve this issue. In addition, the city should ensure future compliance with all federal regulations.

WE RECOMMEND the Board of Aldermen consult with the grantor agency to resolve this issue. In addition, the Board of Aldermen should ensure future compliance with all federal regulations and only claim reimbursement for allowable costs.

AUDITEE'S RESPONSE

We will implement these recommendations. In addition, we intend to increase oversight over the operation of the police department.

3. Accounting Controls and Procedures
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A. The city operates a combined waterworks and sewer system that provides service to approximately 630 customers. A review of the city's utility billing and collection records and procedures disclosed the following concerns:

1. There is no independent oversight or adequate segregation of duties related to the city's utility system. The Utility Clerk performs all functions related to generating monthly utility bills, receipting, recording, and depositing utility payments, and making credit adjustments. In addition, documentation of credit adjustments is not retained.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receipting and depositing monies from that of preparing bills, recording payments, and following up on delinquent accounts. If a proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations between utility payments recorded and deposits, and an independent review and approval of credit adjustments and delinquent account follow-up.

2. The city does not reconcile beginning accounts receivable plus monthly billings, less total utility payments and adjustments, to the ending accounts receivable. The individual customer account balances could then be totaled and agreed to the ending accounts receivable balance. This would help to ensure all amounts have been properly recorded to individual customer account records and that delinquent balances are accurate.

B. Property tax collection duties are shared by the City Clerk and Utility Clerk. The City Clerk prepares and presents to the Board of Aldermen a report of delinquent taxes identifying the individual delinquent taxpayers and amounts owed; however, no report is prepared summarizing the amount of taxes to be collected, total collections, additions or abatements, and delinquent amounts. In addition, an independent

reconciliation of paid tax statements to amounts recorded on the general ledger and deposited in the bank is not performed.

Sections 79.310, and 94.320, RSMo 1994, require lists to be submitted to the Board of Aldermen indicating the amount of taxes collected and taxes remaining delinquent.

The board is to examine and approve the lists and charge the tax collector with the collection of the delinquent taxes. Section 94.330, RSMo 1994, requires monthly reports of delinquent taxes collected to be submitted to the board. This section also provides the board may declare worthless any and all personal delinquent taxes they deem uncollectible.

A detailed annual report which complies with state law and is classified by type of tax would help provide assurance taxes have been properly collected, written off, or determined to be delinquent. Such a report would summarize all taxes charged to the tax collector, monthly collections, delinquent credits, abatements and additions. Without such a report, examined by the Board of Aldermen, any errors or irregularities that might occur are less likely to be detected. In addition, an independent reconciliation of paid tax statements to the amounts recorded on the general ledger and deposited in the bank would provide more assurance that all amounts collected were appropriately handled.

- C. The City Treasurer prepares a listing of all disbursements made for the board to approve. These listings are not signed or initialed to indicate the board's approval. Good business practices require all disbursements to be closely scrutinized by the board and properly authorized. Failure to properly review supporting documentation and document the board's approval of disbursements increases the possibility of inappropriate disbursements occurring.

WE RECOMMEND the Board of Aldermen:

- A.1. Segregate the duties of receipting and depositing monies from that of preparing bills and recording payments. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations between utility payments deposited and recorded, and an independent review of and approval for credit adjustments and delinquent account follow-up.
- 2. Ensure records are maintained documenting beginning accounts receivable, plus billings, less payments and adjustments, and ending accounts receivable. In addition, the individual customer accounts receivable balances should be periodically reconciled to the ending accounts receivable balance.
- B. Require monthly and annual reports be prepared as required by state law. The Board of Aldermen should examine the reports for propriety and accuracy. In addition, an independent reconciliation of paid tax statements to the general ledger and bank deposits should be performed.

- C. Ensure detailed and complete listings of bills are prepared, the board's approval is reflected on the listing, and the listing is retained. In addition, the Board should ensure it performs adequate reviews of all disbursements and the supporting documentation.

AUDITEE'S RESPONSE

A&B. We have implemented these recommendations.

C. We will implement this recommendation.

4. Waterworks and Sewer System

In October 1987, the city issued \$225,000 in revenue bonds to help finance the construction of extensions and improvements to the existing waterworks and sewer system. In conjunction with the issuance of the bonds, the city made certain covenants in the related bond ordinance. Our review of the Waterworks and Sewer Fund, the revenue bond covenants, and the city's compliance with those covenants disclosed the following concerns:

- A. The revenue bond covenant requires the Depreciation and Replacement Account to be funded by a monthly transfer of \$400 until the balance reaches \$19,200. These funds shall be expended only for replacement of the existing sewerage system. However, the city has not been making the required monthly transfers since the balance went below \$19,200 in November 1996. As a result, at the time of our review in November 1998, \$9,600 was due the Depreciation and Replacement Account.

The failure of the city to adequately maintain the required reserve account could allow the bondholders to take legal action to force compliance or immediate payment of all outstanding bonds.

- B. The 1987 bond covenant requires the city to maintain and collect rates, fees, and charges, sufficient to pay the cost of the operation and maintenance of the system; pay the principal of and interest on the bonds; and provide reasonable and adequate reserves for the payment of the bonds and the interest. For fiscal years ended September 30, 1997 and 1998, disbursements for operation and maintenance costs and principal and interest payments exceeded water and sewer receipts by \$17,586 and \$19,781 respectively. Also the combined cash balance of the water and sewer accounts has declined from \$60,576 at October 1, 1996 to \$23,209 at September 30, 1998.

The city needs to ensure the current rates are sufficient to pay all costs of operation and maintenance.

- C. The city has not ensured timely annual audits of its water and sewer system are performed. Section 250.150, RSMo 1994, requires the city to obtain annual audits of the water and sewer system, and the cost of the audits is to be paid from the revenues received from the system. The last audit report issued on the system covered the year ended September 30, 1995. An audit of the two years ended September 30, 1997 is currently underway.

Besides being required by state law, timely audits of the Waterworks and Sewer Fund (and other city funds) would better enable the city to:

1. Ascertain the stewardship of the public officials who handle and are responsible for the financial resources of the city.
2. Determine the propriety and accuracy of its financial transactions.
3. Ensure revenues of the sewer system are adequate to meet the expenses of providing this service.

WE RECOMMEND the Board of Aldermen:

- A&B. Comply with the provisions of the bond covenants, and compare current rates charged for services with the related operating and maintenance costs to determine if adjustment in service rates are needed to meet bond covenant requirements.
- C. Ensure annual audits of the water and sewer system are conducted in a timely manner.

AUDITEE'S RESPONSE

We will implement these recommendations.

5. Payroll and City Policies

- A. City employees can contribute a portion of their salary to a deferred compensation retirement plan. The former City Clerk incorrectly added the amount of each employee's contribution to the employee's gross salary which resulted in the city paying for the contributions instead of the employees. This retirement plan began in late 1994, and the city calculated it has paid \$12,621 in excess contributions to the plan from 1994 to 1998.
- B. During 1997, the city paid the police chief and an officer \$4,898 and \$1,063, respectively, for compensatory time earned. However, records of leave and compensatory time earned, taken, and accumulated were not maintained by the city.

Adequate leave records are necessary to ensure payments and balances are accurately calculated.

- C. The city does not have a formal policy regarding public access to city records. A formal policy regarding access to city records would establish guidelines for the city to make the records available to the public. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo 1994, lists requirements of making city records available to the public.

WE RECOMMEND the Board of Aldermen:

- A. Ensure retirement plan contributions are correctly deducted from employee's gross salary and determine what action the city needs to take to obtain reimbursement for the excess contributions and whether amounts reported to the IRS as income need to be revised.
- B. Ensure records of compensatory and leave time earned, taken, and accumulated are properly maintained.
- C. Establish a written policy and procedures regarding public access to city records.

AUDITEE'S RESPONSE

- A. *We have corrected the current method of handling these withholdings. We will discuss this issue with our legal counsel to determine what additional action we should take.*

B&C. We will implement these recommendations.

6. Budgets and Financial Reporting

- A. The budgets for the years ended September 30, 1998 and 1999 do not include a budget message or general budget summaries describing the important features of the budgets and major changes from the preceding years. They also do not include a statement of estimated or actual revenues and expenditures for the two preceding budget years, or the beginning and estimated ending available resources.

Section 67.010, RSMo 1994, requires each political subdivision of the state to prepare an annual budget with a budget message and comparisons of actual revenues and expenditures for the two preceding fiscal years. Prior year comparisons of actual revenues and expenditures need to be included to help ensure accurate amounts are budgeted. A budget should include appropriate revenue and expenditure estimations by classification, and include the beginning available resources and reasonable estimates of the ending available resources. A complete and well-planned budget, in

addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area.

- B. The city does not publish semi-annual financial statements in accordance with state law. Instead the city prepares and publishes one financial statement which only covers the first six months of the fiscal year. Section 79.160, RSMo 1994, requires the Board of Aldermen to prepare and publish semi-annual financial statements.
- C. Board minutes are prepared by the City Clerk, but are not signed. The board minutes should be signed by the City Clerk as preparer and by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.

WE RECOMMEND the Board of Aldermen:

- A. Prepare budgets that contain all information as required by state law.
- B. Publish semiannual financial statements as required by state law.
- C. Ensure board minutes are signed by the City Clerk as preparer and the Mayor to attest to their completeness and accuracy.

AUDITEE'S RESPONSE

A&B. We will implement these recommendations.

C. We have implemented this recommendation.

7.	Traffic Violations
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Court cases for the city of Appleton City are heard once a month at city hall by the Associate Circuit Judge. The city operates a traffic violations bureau (TVB) to receive payment of fines and court costs at times other than during court. We noted the following concerns:

- A. The city does not issue receipt slips for some court monies received at the TVB. A prenumbered receipt slip is only issued if the defendant pays in cash. To adequately account for all receipts and ensure all receipts are transmitted intact to the Associate Circuit Court, receipt slips should be issued for all monies received and their numerical sequence should be accounted for properly.
- B. The city does not obtain receipt slips for monies it transmits to the associate court. To provide proper assurance all monies have been transmitted and to allow reconciliations of transmittals to receipt records, a receipt slip should be obtained from the associate court.

- C. Neither the police department nor the court maintains adequate records to account for all traffic tickets issued by the police department. Although ticket books appear to be assigned in numerical order by the police department, the numeric sequence of tickets issued is not accounted for and compared to the listing of cases disposed of by the Associate Court.

Without a proper accounting of the numerical sequence and ultimate disposition of traffic tickets, the police department and the court cannot be assured that all tickets issued were properly submitted to the court for processing. A complete log listing each ticket number, the date issued, and violator's name would ensure all tickets issued were properly submitted to the court for processing, properly voided, or not prosecuted. In addition, this listing should be compared to the monthly listing of cases disposed of by the Associate Court to ensure all tickets have been accounted for properly.

WE RECOMMEND the Board of Aldermen:

- A. Ensure receipt slips are issued for all monies received and account for the numerical sequence.
- B. Ensure receipt slips are obtained for monies transmitted to the Associate Court.
- C. Ensure records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets.

AUDITEE'S RESPONSE

We are currently reviewing these procedures and will make needed improvements.

8. City Property

- A. The city has not established property records to account for its general fixed assets or assets of the Water and Sewer Fund. Property records for fixed assets are necessary to ensure accountability for all property owned by the city and for required financial reporting.
- B. In August 1993, the Mayor at the time, sold an oil distributor to the city of Montrose for \$300. No documentation could be located indicating board approval of the sale.

WE RECOMMEND the Board of Aldermen:

- A. Establish property records for general fixed assets and fixed assets of the Water Fund and Sewer Funds that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition, if applicable. In addition, an actual physical inventory of the various property items should be performed periodically.
- B. Ensure board approval is documented for the disposal of all city equipment.

AUDITEE'S RESPONSE

- A. *We will implement this recommendation.*
- B. *We have implemented this recommendation.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

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